

Message Text

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TO USDEL SECRETARY IMMEDIATE

AMEMBASSY NAIROBI IMMEDIATE

C O N F I D E N T I A L STATE 129334 TOSEC 130298

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FOR THE SECRETARY FROM GREENWALD, NAIROBI ROBINSON ONLY

E.O. 11652: GDS

TAGS: EAGR, ETRD

SUBJECT: BRIEFING MEMORANDUM: US-USSR CONSULTATIONS
ON GRAIN TRADE

1. FIRST BIENNIAL US-SOVIET CONSULTATIONS ON GRAIN TRADE
CONDUCTED MAY 24-25 IN ACCORDANCE WITH BILATERAL GRAIN
AGREEMENT. SOVIET SIDE LED BY DEPUTY MINISTER OF FOREIGN
TRADE GORDEYEV AND US SIDE BY USDA ASSISTANT SECRETARY BELL.
ATMOSPHERE WAS FRIENDLY AND BUSINESSLIKE--WITH US SIDE DOING
MOST OF TALKING.

2. US REVIEWED STATUS OF SOVIET PURCHASES OF US GRAIN FOR
1975/76, AND BELL UNDERSCORED US WILLINGNESS TO SEE SOVIETSV
PURCHASE REMAINDER OF THE TOTAL OF 17 MILLION TONS OF WHEAT
AND CORN AGREED LAST OCTOBER ---- (600,000 TONS).
HOWEVER, SINCE SOVIETS HAD PURCHASED ONLY CORN FROM US
SINCE OCTOBER AND SINCE OUR ENDING STOCKS OF CORN WOULD BE
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NEAR MINIMUM LEVELS, ADDITIONAL CORN PURCHASES ABOVE THIS

LIMIT WOULD NOT BE POSSIBLE. WHEAT OUTLOOK WAS MORE SECURE. IN LIGHT OF STOCK BUILD-UP NOW OCCURRING, US MARKET WAS OPEN FOR ADDITIONAL EXPORTS OF 3 TO 4 MILLION TONS OF WHEAT TO USSR BEFORE OCTOBER 1 OPERATIONAL DATE OF BILATERAL AGREEMENT. SOVIET SIDE WAS NON-COMMITTAL AND LEFT IMPRESSION THAT FURTHER PURCHASES FOR EXPORT BEFORE OCTOBER 1

WERE UNLIKELY.

3. BELL REVIEWED US PRODUCTION AND EXPORT OUTLOOK FOR 1976/77 CROP YEAR IN DETAIL. HE CONCLUDED BY OFFERING SOVIETS OPPORTUNITY TO BUY WHEAT AND CORN IN QUANTITIES ABOVE 8 MILLION TON TRIGGER UP TO 15 MILLION TONS--AS WAS AGREED AT AGRICULTURAL POLICY COMMITTEE MEETING WITH PRESIDENT MAY 21. WHEN PRESSED, SOVIET SIDE WAS UNABLE TO DO MORE THAN ASSURE THAT USSR WOULD PURCHASE 6 MILLION TONS REQUIRED UNDER AGREEMENT, ON GROUNDS THAT IT WAS TOO EARLY TO DETERMINE 1976 SOVIET PRODUCTION, AND THEREFORE, IMPORT REQUIREMENTS. BELL MADE EXPLICIT THAT OFFER CONSTITUTED US NOTIFICATION UNDER THE AGREEMENT OF WILLINGNESS TO PERMIT SOVIET PURCHASES ABOVE 8 MILLION TON TRIGGER UP TO 15 MILLION TONS BUT THAT A SPECIFIC SOVIET RESPONSE TO THIS OFFER WAS REQUIRED BEFORE AGREEMENT WAS COMPLETE ON LEVEL OF 1976/77 PURCHASES. (BELL CONFIRMED THIS POSITION WITH BUTZ FOLLOWING MAY 25 LUNCH FOR SOVIET DELEGATION). SOVIETS SAID THEY WOULD RESPOND TO US OFFER AS SOON AS DECISION MADE ON 1976/77 IMPORTS.

4. TWO SIDES AGREED THAT USDA IN BRIEFING PRESS ON

MAY 26 WOULD ADHERE TO GENERAL FORMULATION CONCERNING 1976/77 SALES ALONG FOLLOWING LINES:

--CONFIRM US WILLINGNESS TO SELL MORE THAN 8 MILLION TONS OF WHEAT AND CORN,

--ACKNOWLEDGE THAT NO AGREEMENT WAS REACHED ON LEVEL OF SALES BECAUSE SOVIET REQUIREMENTS ARE NOT YET KNOWN,

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--STATE THAT TWO SIDES WOULD CONTINUE CONTACTS TO REACH A DEFINITE DECISION LATER ON VOLUME OF TRADE IN NEW CROP YEAR.

FIFTEEN MILLION TON OFFER WILL NOT BE MADE PUBLIC UNLESS BUTZ ON CAMPAIGN TRIP TO OHIO DECIDES OTHERWISE. SISCO

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